

ARTEMIS High Income *Fund*

Manager's Report
and Financial Statements
for the year ended 7 August 2019

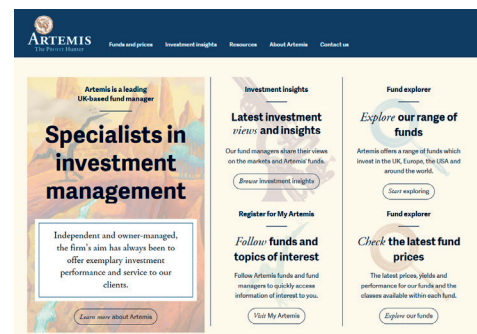


ARTEMIS
The PROFIT Hunter

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[artemisfunds.com](https://www.artemisfunds.com)

General information

Company profile

Artemis is a leading UK-based fund manager, offering a range of funds which invest in the UK, Europe, the US and around the world.

As a dedicated, active investment house, we specialise in investment management for both retail and institutional investors across Europe.

Independent and owner-managed, Artemis opened for business in 1997. Its aim was, and still is, exemplary investment performance and client service. All Artemis' staff share these two precepts – and the same flair and enthusiasm for fund management.

The firm now manages some £27.2 billion* across a range of funds, two investment trusts, a venture capital trust and both pooled and segregated institutional portfolios.

Our managers invest in their own and their colleagues' funds. This has been a basic tenet of the Artemis approach since the firm started. It means that interests of our fund managers are directly aligned with those of our investors.

* Source: Artemis as at 31 August 2019.

Fund status

Artemis High Income Fund was constituted by a Trust Deed dated 26 May 1995 as amended by a supplemental Trust Deed dated 6 September 2002 and is an authorised unit trust scheme under the Financial Services and Markets Act 2000. The fund belongs to the category of UCITS schemes as defined in the Collective Investment Schemes Sourcebook ('COLL') of the Financial Conduct Authority ('FCA').

Investment objective

The objective of the fund is to achieve a higher than average initial yield, combined with the prospect of rising income and some capital growth over the long-term.

Investment policy

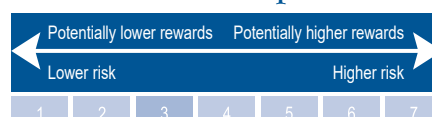
The emphasis of the fund will be investment in UK fixed-interest investments and preference shares, however, the manager has the flexibility to invest in all economic sectors worldwide and in equities.

The fund may also invest in other transferable securities, units of collective investment schemes, money market instruments, warrants, cash and near cash, derivatives and forward transactions and other investments to the extent that each is permitted by the regulations.

Buying and selling

Units may be bought and sold by contacting the manager by telephone, at the address on page 3 or via the website artemisfunds.com. Valuation of the fund takes place each business day at 12 noon on a forward pricing basis. Investors are reminded that past performance is not a guarantee of performance in the future and that the price of units and the revenue from them can fall as well as rise.

Risk and reward profile



■ The fund is in the category shown due to its historic volatility (how much and how quickly the value of shares in the fund have risen and fallen in the past). It may not be a reliable indication of the future risk profile of the fund.

■ The risk category shown is not guaranteed and may change over time.

■ A risk indicator of "1" does not mean that the investment is "risk free".

The risk indicator may not fully take into account the following risks and the following may affect fund performance:

■ Market volatility risk: The value of the fund and any income from it can fall or rise because of movements in stockmarkets, currencies and

interest rates, each of which can move irrationally and be affected unpredictably by diverse factors, including political and economic events.

■ Currency risk: Some or all of the fund's assets may be invested in a currency other than the fund's accounting currency. The value of the assets, and the income from them, may decrease if the currency falls in relation to the accounting currency.

■ Bond liquidity risk: The fund holds bonds which could prove difficult to sell. As a result, the fund may have to lower the selling price, sell other investments or forego more appealing investment opportunities.

■ Higher-yielding bonds risk: The fund can invest in higher-yielding bonds (also known as sub-investment grade bonds), which have a greater risk of default by the issuer. The value of these bonds is more sensitive to changes in market conditions and interest rates. As a result, the fund may be subject to greater swings in value.

■ Credit risk: Investments in fixed interest securities are subject to market and credit risk and will be impacted by movements in interest rates. Interest rate movements are determined by a number of economic factors, in particular market expectations of future inflation.

Prospectus

Copies of the most recent Prospectus are available free of charge from the manager at the address on page 3.

Remuneration

Following an amendment to the UCITS Directive in the UK on 18 March 2016, all UCITS schemes are required to comply with the UCITS Remuneration Code. This includes a requirement to disclose in the annual report of each scheme, details of the total amount of remuneration paid by the manager to its partners and staff for its financial year. As the Artemis High Income Fund (the "fund") is a UCITS scheme, Artemis Fund Managers Limited ("AFML") as

General information (continued)

manager is required to make these disclosures. Artemis operates its remuneration policies and practices at a group level which includes both Artemis Investment Management LLP and its subsidiary AFML. Details of the group remuneration policies are available on Artemis' website artemisfunds.com.

Remuneration levels are set to attract, retain and motivate talented partners and staff and align long term interests of partners and staff with those of our clients. The remuneration policies which apply to all partners and staff across the group are overseen by the Remuneration Committee. The members of the Remuneration Committee are all nonexecutive officers. The Remuneration Committee is responsible for setting and overseeing the implementation of Artemis' remuneration policy, including approving the remuneration of partners and other senior staff. The Remuneration Committee will regularly review the remuneration policy to ensure it remains appropriate. The Remuneration Committee considers inputs from Artemis' Compliance and Risk functions when reviewing remuneration issues, including any risk adjustments or controls considered necessary. The Artemis remuneration period runs from 1 January to 31 December. As a consequence, for certain partners and staff who are classified as 'Identified Staff' as their professional activities have a material impact on the risk profile of the firm, the payment of some of the variable remuneration (which may include profit share for partners) is deferred. Further, Artemis has the ability to reduce all or part of deferred variable remuneration that has been previously allocated to identified staff, before the end of the vesting period.

No staff are employed by AFML directly but are employed and paid by other entities of Artemis. Artemis has apportioned the total amount of remuneration paid to all 197 Artemis partners and staff in respect of AFML's duties performed for the UCITS schemes based on the number of funds.

It has estimated that the total amount of remuneration paid in respect of duties for the fund within the fund for the year

ended 31 December 2018 is £1,109,357 of which £289,903 is fixed remuneration and £819,454 is variable remuneration. No amount of remuneration, including any performance fees was paid directly by the fund.

The aggregate amount of remuneration paid to UCITS Remuneration Code and Identified Staff that is attributable to duties for the fund for the year ended 31 December 2018 is £271,698. AFML Remuneration Code and Identified Staff are those senior individuals whose managerial responsibilities or professional activities could influence, and have a material impact on, the overall risk profile of each regulated entity and the funds it manages. For the purposes of UCITS Remuneration Code the AFML Code staff are the members of Artemis Management and Executive Committees, certain fund managers, the General Counsel, the Head of Compliance and the Head of Risk. This includes certain individuals who are partners in Artemis Investment Management LLP.

Tax information reporting

UK tax legislation requires fund managers to provide information to HMRC on certain investors who purchase units in unit trusts. Accordingly, the fund may have to provide information annually to HMRC on the tax residencies of those unitholders that are tax resident outwith the UK, in those countries that have signed up to the OECD's ('Organisation for Economic Co-operation and Development') Common Reporting Standard for Automatic Exchange of Financial Account Information (the 'Common Reporting Standard'), or the United States (under the Foreign Account Tax Compliance Act, 'FATCA').

All new unitholders that invest in the fund must complete a certification form as part of the application form. Existing unitholders may also be contacted by the Registrar should any extra information be needed to correctly determine their tax residence. Failure to provide this information may result in the account being reported to HMRC.

For further information, please see

HMRC's Quick Guide: Automatic Exchange of Information – information for account holders: gov.uk/government/publications/exchange-of-information-account-holders.

Changes to Artemis' funds from February 2019

With effect from 1 February 2019, Artemis made changes to how its funds operate:

- the way in which fund charges are calculated, moving from variable expenses to an administration fee with a discount applied based on fund size.
- how our unit trust funds are priced, changing from 'bid price' and 'offer price' to a 'single price'.

The prospectus was updated on 4 February 2019 as a result of the changes.

Manager

Artemis Fund Managers Limited *
Cassini House
57 St James's Street
London SW1A 1LD

Dealing information:
Artemis Fund Managers Limited
PO Box 9688
Chelmsford CM99 2AE
Telephone: 0800 092 2051
Website: artemisfunds.com

Investment adviser

Artemis Investment Management LLP *
Cassini House
57 St James's Street
London SW1A 1LD

Trustee and Depositary

J.P. Morgan Europe Limited †
25 Bank Street Canary Wharf
London E14 5JP

Registrar

DST Financial Services International
Limited
DST House
St Nicholas Lane
Basildon
Essex SS15 5FS

Auditor

Ernst & Young LLP
Atria One
144 Morrison Street
Edinburgh EH3 8EX

* Authorised and regulated by the FCA,
12 Endeavour Square, London E20 1JN.

† Authorised by the Prudential Regulation
Authority ('PRA'), 20 Moorgate, London EC2R
6DA and regulated by the PRA and the FCA.

Statement of the trustee's responsibilities in respect of the scheme and report of the trustee to the unitholders of Artemis High Income Fund ('the Trust') for the year ended 7 August 2019

The trustee of the Artemis High Income Fund must ensure that the Trust is managed in accordance with the Financial Conduct Authority's Collective Investment Schemes Sourcebook, the Financial Services and Markets Act 2000, as amended, (together 'the Regulations'), the Trust Deed and Prospectus (together 'the scheme documents') as detailed below.

The trustee must in the context of its role act honestly, fairly, professionally, independently and in the interests of the Trust and its investors. The trustee is responsible for the safekeeping of all custodial assets and maintaining a record of all other assets of the Trust in accordance with the Regulations.

The trustee must ensure that:

- the Trust's cash flows are properly monitored and that cash of the Trust is booked in the cash accounts in accordance with the Regulations;
- the sale, issue, repurchase, redemption and cancellation of units are carried out in accordance with the Regulations;
- the value of units of the Trust are calculated in accordance with the Regulations;
- any consideration relating to transactions in the Trust's assets is remitted to the Trust within the usual time limits;
- the Trust's income is applied in accordance with the Regulations; and the instructions of the Authorised Fund Manager ('the AFM'), which is the UCITS Management Company, are carried out (unless they conflict with the Regulations).

The trustee also has a duty to take reasonable care to ensure that the

Trust is managed in accordance with the Regulations and Scheme documents of the Trust in relation to the investment and borrowing powers applicable to the Trust.

Having carried out such procedures as we considered necessary to discharge our responsibilities as trustee of the Trust, it is our opinion, based on the information available to us and the explanations provided, that in all material respects the Trust, acting through the AFM:

- (i) has carried out the issue, sale, redemption and cancellation, and calculation of the price of the Trust's units and the application of the Trust's income in accordance with the Regulations and the scheme documents of the Trust; and
- (ii) has observed the investment and borrowing powers and restrictions applicable to the Trust in accordance with the Regulations and the Scheme documents of the Trust.

J.P. Morgan Europe Limited
London
3 October 2019

Statement of the manager's responsibilities

COLL requires the manager to prepare financial statements for each annual accounting period which give a true and fair view of the financial affairs of the fund and of its revenue and expenditure for the year.

In preparing the financial statements the manager is required to:

- (i) select suitable accounting policies and then apply them consistently;
- (ii) comply with the disclosure requirements of the Statement of Recommended Practice for Authorised Funds issued by the Investment Management Association in May 2014 ('SORP') and amended in June 2017;
- (iii) follow applicable accounting standards;
- (iv) keep proper accounting records which enable it to demonstrate that the financial statements as prepared

General information (continued)

comply with the above requirements;

(v) make judgements and estimates that are reasonable and prudent; and

(vi) prepare the financial statements on the going concern basis unless it is inappropriate to presume that the fund will continue in operation.

The manager is responsible for the management of the fund in accordance with its Trust Deed, Prospectus and COLL.

The manager is also responsible for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Report of the manager

We hereby approve the Manager's Report and Financial Statements of the Artemis High Income Fund for the year ended 7 August 2019 on behalf of Artemis Fund Managers Limited in accordance with the requirements of COLL as issued and amended by the FCA.

M J Murray	J L Berens
Director	Director
Artemis Fund Managers Limited	
London	
3 October 2019	

Independent auditor's report to the unitholders of the Artemis High Income Fund

Opinion

We have audited the financial statements of the Artemis High Income Fund ('the Fund') for the year ended 7 August 2019 which comprise the statement of total return, statement of change in net assets attributable to unitholders, balance sheet, distribution tables and the related notes 1 to 19, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) including FRS 102 'The Financial Reporting Standard applicable to the UK and Republic of Ireland'.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Fund as at 7 August 2019 and of the net revenue and the net losses on the scheme property of the Fund for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice FRS 102 'The Financial Reporting Standard applicable to the UK and Republic of Ireland'.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the Fund in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the manager's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the manager has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Fund's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The manager is responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of

the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the rules of the Collective Investment Schemes Sourcebook of the Financial Conduct Authority

In our opinion:

- the financial statements have been properly prepared in accordance with the Statement of Recommended Practice relating to Authorised Funds, the rules of the Collective Investment Schemes Sourcebook of the Financial Conduct Authority and the Trust Deed;
- the information given in the manager's report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- there is nothing to indicate that proper accounting records have not been kept or that the financial statements are not in agreement with those records.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matter in relation to which the Collective Investment Schemes Sourcebook of the Financial Conduct Authority rules requires us to report to you if, in our opinion:

- we have not received all the information and explanations which, to the best of our knowledge and belief, are necessary for the purposes of our audit.

Responsibilities of the manager

As explained more fully in the manager's responsibilities statement set out on page 3 and 4, the manager is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the manager determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

General information (continued)

In preparing the financial statements, the manager is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the manager either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the unitholders of the Fund, as a body, pursuant to Paragraph 4.5.12 of the rules of the Collective Investment Schemes Sourcebook of the Financial Conduct Authority. Our audit work has

been undertaken so that we might state to the unitholders of the Fund those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Fund and the unitholders of the Fund as a body, for our audit work, for this report, or for the opinions we have formed.

Ernst & Young LLP
Statutory Auditor
Edinburgh
3 October 2019

Investment review

- The fund returns 1.3%*, vs. the sector's average of 6.0%*.
- High-yield bonds and equities come under pressure.
- We expect yields to remain subdued.

Performance – A volatile end to 2018 took its toll...

The fund returned 1.3% over the year, well below the sector's average of 6.0%. The period was characterised by a collapse in bond yields as central banks once again implemented monetary easing.

The story was rather different at the start of the 12-month period. The US Federal Reserve ('the Fed') was still raising rates and so the dollar was rising, along with yields on US Treasuries. Emerging market assets weakened. In these conditions, the fund did well thanks its short-duration stance and lack of exposure to emerging markets. This did not last long. Volatility spiked towards the end of 2018 and performance then suffered. The fund's exposure to equities and lower-rated high-yield bonds weighed heavily.

During 2019, these positions rebounded. Trade wars began to take their toll on global manufacturing and central banks started to ease rates, which lifted all asset classes. The fund clawed back its losses, but could not keep up with the sector. Our objective – to provide higher levels of income than the average for the sector – means that we tend to invest in short-dated high-yield bonds. Because of this, the fund could not keep pace with the relentless fall in government bond yields. Our equities were also a drag on performance.

Review – A year of two halves...

Political and economic fallout from the US trade wars and Brexit have dominated the last 12 months. Despite the US economy still outpacing the

rest of the world, the Fed changed direction part way through the year and began to cut rates. A buoyant US consumer had helped to prop up economic growth, but weakening manufacturing data could no longer be ignored. Despite rising inflation data – wage inflation ticked up markedly in some geographic regions – inflationary expectations collapsed. Government yields fell dramatically, and by the end of the period some \$17 trillion of debt globally had negative yields.

Tensions over trade also caused stress. As the US economy was performing well, President Trump sought to get the upper hand in the trade negotiations. With the pressure rising on China, the dollar strengthened. Indeed, the beginning of the reporting period saw the MSCI emerging market currency index fall over 6%, its worst performance since 2012. But it wasn't just emerging markets that suffered from trade wars. Europe, with its trade surplus, saw manufacturing data collapse. Rolling political noise from Italy and Brexit further dampened confidence in the region.

A volatile fourth quarter...

Historically a fractious month, October 2018 did not disappoint. After years of easy money, the prospect of further monetary tightening finally took its toll on riskier assets in the US: equities and high-yield bonds both fell sharply. By the end of October, nearly 90% of assets worldwide were in negative territory for the year – the most in over a century. The fund's performance suffered, although its position in short-duration assets provided some relief. We used the volatility to add to our oil position and to equities. That proved to be too early.

November was the month when credit finally cracked. Investment-grade spreads widened sharply because of a number of scare stories about General Electric and other big industrial names

with excessive leverage. The prospect of their becoming 'fallen angels' and swamping the high-yield market became a serious threat. High-yield markets fell sharply at the end of the year; but this hid much greater pain in individual issues during the year. Over 40 credits in European high-yield fell more than 15%, vastly more than in previous years. This was partly due to poor liquidity in the markets, which meant bonds fell in a vacuum on very little trading.

Fortunately we did not hold the vast majority of names that were hit so hard, but the ones we did hold hurt disproportionately. Thomas Cook cost the fund 61bps. We held onto the holding, believing that it could get through a poor trading environment. Fierce competition, Brexit and a previous hot summer had created a perfect storm in operational performance. Selling its airline would have improved the situation, but a collapse in airline pricing prevented this. Lecta, a Spanish paper company, would prove to be another company where markets were unwilling to believe an operational turnaround would arrive in time. We have held onto the bond because of potential recovery and the possibility of a grant from the EU.

Over the timeframe, oil holdings provided generous returns in some areas but disappointment in others. As the oil price stayed well above break-even rates, oil producers such as Tullow, Neptune and Continental Resources were able to reduce their balance sheets. They were rewarded with rallying bond prices. Unfortunately the oil services sector suffered further delays in the recovery of day rates. We had some success in Topaz Marine, which was acquired by Dubai World, and our patience with Vallourec was rewarded. But we suffered losses on KCA and Valaris.

The outright panic at the end of 2018 weighed on the fund. We had moved to a more defensive stance during the summer months, so stockpicking within credit helped relative

* Source: Lipper Limited, class Q1 distribution units, mid to mid basis, in sterling with interest reinvested. Sector is IA £ Strategic Bond.

Investment review (continued)

performance. But our overall asset mix, exposure to equities and natural bias to short-duration assets meant the fund fell disproportionately.

A change in direction from the Fed...

The chaos created in December prompted the Fed to change its policy. It paused the rate-hiking cycle and adopted a 'wait and see' approach. US economic data was also better than expected, and the markets were optimistic about a resolution to the trade dispute. Chinese stimulus (implemented to soften tariffs) also started to work. As a result, the first half of 2019 saw a return to the 'Goldilocks' era – low rates, low inflation and moderate economic growth.

Accordingly, equities, oil and high-yield recovered strongly, as did the fund's performance. We used rallying markets to cut our exposure to equities and recycle capital back into credit. During March, in order to extend duration where we could, we switched our exposure to government bonds (around 10% of the fund) into longer-dated US Treasuries. We also built a position in Watches of Switzerland, whose results beat expectations soon after its issue and which would go on to IPO later in the year. Indeed several companies on the portfolio would buy back their bonds over the course of 2019. We lost Entertainment One and Eircom to re-financings and Altice, Watches of Switzerland and Vistajet to buy-backs.

Towards the end of the reporting year, the rally began to falter. The familiar story of US economic data outperforming the rest of the world continues, but even US manufacturing is feeling the pressure of global trade wars. Markets finally began to worry that recessionary forces would outweigh the monetary stimulus provided by central banks. Credit has so far remained resilient. A potential new credit-buying program by the European Central Bank, rallying government bond yields, and investors' search for yield are all underpinning the asset class. Even financials, whose equities have

significantly underperformed over the year, have produced stellar returns in credit. The carry-trade dynamic (where investors borrow at a low interest rate to invest in an asset that provides a higher rate of return) is as strong as it has ever been. Despite this, investors' concerns over the economy have caused a buyers' strike in high-beta names, and companies are punished severely for missed profit targets.

Reduced income

One of the major themes over the year was the ever-decreasing coupons companies needed to pay to get new issues away. Collapsing government bond yields coupled with strong demand for yield enabled companies to command large order books and squeeze coupons lower. Consequently, the income generated by the fund fell. We endeavour to provide higher levels of income than average bond funds – but with a careful eye on managing risk. Maintaining the level of income on the fund without compromising quality would be an impossible feat, so the fund's income has fallen 3% over the year. Yet that was a smaller decline than one might expect, considering the backdrop.

Equities

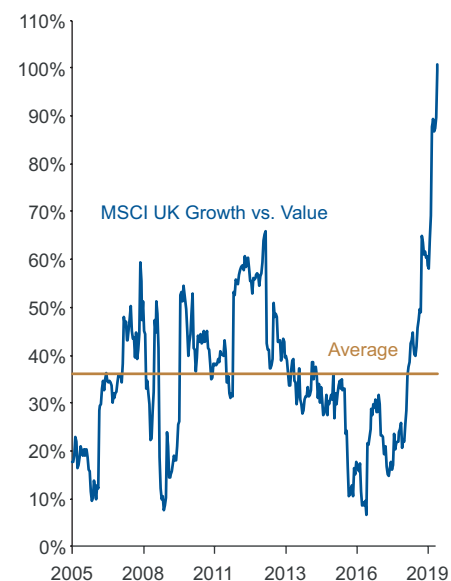
With the exception of Enagas, the more defensive holdings within the European equity portion of the fund did best in the year. Enagas suffered from new regulatory proposals in Spain that were more punishing than expected. They may be revised before implementation and the outcome may well improve. Nevertheless, we sold half of our holding. On the positive side, Sanofi did well on prospects for new drugs and greater efficiency in the business. Danone seems to be delivering on the turnaround of problematic parts of the business and the stock is making new 10-year highs. MOWI continues to execute well and to capitalise on ever-growing global demand for high-quality farmed salmon.

Top of the list of European detractors

was BMW. It has suffered from falling demand and concerns over how successfully it will shift to a world of electric vehicles. But more than that, all auto stocks come under pressure whenever concerns about global trade and tariffs are high. While it has been painful, we are holding onto the stock as we believe negative sentiment has exceeded reality. Mediaset España has also been weak on familiar worries about the threat posed by Netflix to the future of television. We would note the company's earnings remain robust. Finally our new holding in ING (Dutch financial services) had an inopportune start because of the decline in expectations for interest rates.

In the UK equity market, continuing uncertainties over both Brexit and the broader economy weighed on the valuations of many of our holdings. The differential in multiples ascribed to growth and value stocks increased dramatically over the last year (Chart 1). In our search for sustainable and growing yields, our UK holdings have been biased towards value. In aggregate, they have seen their multiples fall as their absolute dividends have progressed on the whole.

Chart 1 - MSCI UK Growth vs. MSCI UK Value – 12m forward Price/Earnings premium/discount



Source: FactSet, Goldman Sachs International research as at 13 August 2019.

The largest detractor on the UK side, corrugated packager DS Smith, was a prime example of this trend. Over the course of the last year, the business has continued to show strong operational and strategic progress, delivering organic top-line growth and margin expansion against a subdued economic backdrop. Having started the period trading on price/earnings of 13x, the shares finished the year on a price/earnings just over 9x, despite having delivered 8% earnings growth and 13% dividend growth over the same period. We continue to believe that the expansion in e-commerce and move away from single-use plastic packaging leaves the business less economically sensitive than the share price implies.

Elsewhere our holdings in Imperial Brands and IAG suffered sharp de-ratings on concerns over US tobacco regulation and Brexit respectively. Both businesses traded in line with expectations during the year and now offer close to double-digit cash returns at current prices. Our strongest positive contributors were house-builder Redrow and private equity company 3i. The latter continues to benefit from very strong growth from its holding in European discount retailer, Action.

Outlook – What a difference 12 months can make...

This time last year, we were writing about rising government bond yields. Since then, there has been an abrupt change from quantitative tightening to easing. Can the relentless fall in yields continue? For the time being, we believe so. The market is focusing on the prospect of a trade-induced recession and is rattled by the scale of political uncertainty. Some camps argue deflationary forces are too powerful to stop. The government bond market has chosen its side. Wage inflation, however, is still rising.

As monetary policy falters, pressure is mounting on western governments to unleash fiscal

spending. Unconventional tools – quantitative easing and enhanced forward guidance – will likely prove less effective going forward. Indeed it looks as though the UK will be the first to reverse austerity as it battles against the uncertainty of Brexit. Even Germany is under increasing pressure to relax its strict fiscal rules to help improve its economic fortunes. This all points to increased funding, coupled with the eventual reversal of deflationary pressures. So yes: we believe yields will stay subdued for a while longer, but we have to be mindful of a change brewing.

With government bond yields still so low, the search for yield will continue. Liquidity will carry on hampering pricing in the market, so stock-picking will be as important as ever. Investing in the ever-crowded defensive areas will not provide the returns desired. A reversal of the overbought 'quality growth' credits will prove messy. We believe allocating money to areas which have been unduly punished will enable the fund to provide extra yield. But credit analysis remains key, as always.

Conditions for equity markets have also changed dramatically over the last year. In the fund we are emphasising the defensive tilt in the equity portfolio. We are also keeping a close eye on how sustainable dividends are under more challenging conditions. Liquidity is very important, not just from the perspective of the fund, but also to allow us to move quickly to take opportunities as they arise. One final point to note: in a world where the possibilities for generating income are disappearing by the day, equities have something to offer. The gap in yield between many bonds and traditional income-producing equities is wide. So income is available here for those willing to take the opportunity.

In conclusion, the markets are turbulent and pricing different outcomes, even within the same asset class. Our job is to look for those credits or equities that are pricing for the worst, but which we think will succeed despite the ever difficult

economic and political backdrop. The fund's aim (to provide higher levels of income) means it has a different return profile to the majority of the bond sector. We look forward to seeking out those companies whose provision of income is mis-priced by the market.

Alex Ralph
Fund manager

Investment information

Ten largest purchases and sales for the year ended 7 August 2019

Purchases	Cost £'000	Sales	Proceeds £'000
US Treasury 3.13% 15/11/2028	76,040	UK Treasury 0.75% 22/07/2023	69,506
US Treasury 2.63% 15/02/2029	62,145	UK Treasury 1.75% 07/09/2022	46,460
UK Treasury 1.75% 07/09/2022	46,246	US Treasury 2.38% 15/05/2029	24,567
US Treasury 2.38% 15/05/2029	24,660	US Treasury 3.13% 15/11/2028	17,439
Valaris 7.75% 01/02/2026	20,231	RWE, FRN 7.00% Perpetual	13,300
UK Treasury 0.75% 22/07/2023	19,814	EDP - Energias de Portugal, FRN 5.38% 16/09/2075	12,626
EDP - Energias de Portugal, FRN 4.50% 30/04/2079	12,994	Credit Agricole, FRN 6.63% Perpetual	12,370
Pension Insurance, FRN 7.38% Perpetual	11,720	Nationwide Building Society, FRN 6.88% Perpetual	10,599
UBS Group Funding Switzerland, FRN 7.00% Perpetual	11,701	Valaris 7.75% 01/02/2026	10,527
Vodafone Group, FRN 6.25% 03/10/2078	9,553	Legal & General Group, FRN 5.88% Perpetual	10,000

Portfolio statement as at 7 August 2019

Investment	Holding	Valuation £'000	% of net assets
Equities 13.36% (16.86%)			
France 1.69% (1.91%)			
Danone	149,035	10,533	0.87
Sanofi	147,343	9,912	0.82
		20,445	1.69
Germany 1.39% (2.14%)			
Bayerische Motoren Werke	131,109	7,568	0.63
Deutsche Telekom	678,666	9,167	0.76
		16,735	1.39
Netherlands 1.37% (1.03%)			
ING Groep	841,230	6,891	0.57
Royal Dutch Shell A shares	404,834	9,584	0.80
		16,475	1.37
Norway 0.57% (0.44%)			
Mowi	340,000	6,939	0.57
		6,939	0.57
Spain 1.07% (2.01%)			
Enagas	198,307	3,672	0.30
Mediaset Espana Comunicacion	1,887,714	9,245	0.77
		12,917	1.07
Switzerland 0.63% (1.25%)			
Adecco Group	172,093	7,582	0.63
		7,582	0.63
United Kingdom 6.64% (8.08%)			
3i Group	700,000	7,560	0.63
Aberforth Split Level Income Trust	9,801,277	7,302	0.60
Balfour Beatty Preference 9.68%	2,425,000	2,522	0.21
BBA Aviation	1,000,000	3,004	0.25
BP	1,928,692	9,890	0.82
British American Tobacco	275,000	8,207	0.68
DS Smith	2,400,000	7,647	0.63
Ecclesiastical Insurance Group Preference 8.63%	4,200,000	6,468	0.54
Galliford Try	244,294	1,362	0.11
Imperial Brands	227,990	4,649	0.39
International Consolidated Airlines Group	1,300,000	5,844	0.48
Melrose Industries	2,000,000	3,383	0.28

Investment	Holding or nominal value	Valuation £'000	% of net assets
New Finsaga [^]	135,817	—	—
Speymill Deutsche Immobilien [^]	5,803,310	—	—
St James's Place	567,500	5,306	0.44
Tesco	1,669,532	3,616	0.30
Vodafone Group	2,066,596	3,018	0.25
West Bromwich Building Society	7,606	344	0.03
		80,122	6.64
Equities total		161,215	13.36
Government Bonds 10.97% (3.78%)			
United Kingdom 0.00% (3.78%)			
United States of America 10.97% (0.00%)			
US Treasury 3.13% 15/11/2028	\$75,000,000	69,675	5.78
US Treasury 2.63% 15/02/2029	\$70,000,000	62,641	5.19
		132,316	10.97
Government Bonds total		132,316	10.97
Corporate Bonds 75.09% (77.43%)			
Australia 2.23% (2.12%)			
Australia & New Zealand Banking Group, FRN 2.77% Perpetual	\$13,200,000	7,086	0.59
BHP Billiton Finance, FRN 6.50% 22/10/2077	£8,900,000	10,068	0.83
Westpac Banking, FRN 2.79% Perpetual	\$17,800,000	9,762	0.81
		26,916	2.23
Belgium 0.81% (2.32%)			
Ethias 5.00% 14/01/2026	€9,000,000	9,720	0.81
		9,720	0.81
Bermuda 1.16% (1.00%)			
Catlin Insurance, FRN 5.28% Perpetual	\$10,000,000	8,199	0.68
Catlin Insurance, FRN 5.28% Perpetual (Private Placement)	\$7,000,000	5,740	0.48
		13,939	1.16
Canada 0.00% (0.60%)			
Denmark 1.28% (1.17%)			
Danske Bank, FRN 6.13% Perpetual	\$5,300,000	4,292	0.35
DKT Finance 7.00% 17/06/2023	€11,200,000	11,200	0.93
		15,492	1.28
France 6.65% (6.27%)			
Altice France 7.38% 01/05/2026	\$14,000,000	12,011	1.00
BNP Paribas, FRN 7.38% Perpetual	\$10,000,000	9,080	0.75
Electricite de France, FRN 6.00% Perpetual	£15,000,000	16,304	1.35
La Poste, FRN 3.12% Perpetual	€6,900,000	6,573	0.55
Orange, FRN 5.88% Perpetual	£12,400,000	13,446	1.11
Societe Generale, FRN 7.38% Perpetual	\$15,900,000	13,655	1.13
Vallourec 6.63% 15/10/2022	€11,150,000	9,160	0.76
		80,229	6.65
Germany 1.11% (2.10%)			
Deutsche Pfandbriefbank, FRN 5.75% Perpetual	€1,400,000	1,325	0.11
Raffinerie Heide 6.38% 01/12/2022	€10,000,000	7,423	0.61
Wittur International Holding 8.50% 15/02/2023	€5,000,000	4,651	0.39
		13,399	1.11
Ghana 0.82% (0.98%)			
Tullow Oil 7.00% 01/03/2025	\$12,108,000	9,923	0.82
		9,923	0.82
Ireland 2.41% (2.78%)			
Allied Irish Banks, FRN 7.38% Perpetual	€3,797,000	3,724	0.31
Bank of Ireland Group, FRN 4.12% 19/09/2027	\$15,500,000	12,500	1.04

Investment information (continued)

Investment	Nominal value	Valuation £'000	% of net assets
Lambay Capital Securities 6.25% Perpetual [§]	£14,000,000	—	—
Mutual Securitisation 7.59% 30/09/2022	£1,800,000	1,441	0.12
National Asset Management 5.26% 01/03/2020	€12,000,000	11,392	0.94
Waterford Wedgwood 9.88% 01/12/2010 [^]	€2,000,000	—	—
		29,057	2.41
Italy 2.47% (1.70%)			
Assicurazioni Generali, FRN 6.42% Perpetual	£6,800,000	7,116	0.59
Enel, FRN 6.62% 15/09/2076	£9,900,000	10,822	0.90
Intesa Sanpaolo, FRN 7.00% Perpetual	€5,000,000	4,787	0.40
Telecom Italia 4.00% 11/04/2024	€7,000,000	7,022	0.58
		29,747	2.47
Luxembourg 3.08% (3.45%)			
ARD Finance 6.63% 15/09/2023	€9,400,000	8,937	0.74
Eurofins Scientific, FRN 7.00% Perpetual	€12,500,000	11,803	0.98
Horizon Parent Holdings 8.25% 15/02/2022	€8,750,000	8,262	0.68
Safari Verwaltungs 5.38% 30/11/2022	€10,100,000	8,190	0.68
		37,192	3.08
Mexico 1.11% (1.05%)			
America Movil, FRN 6.37% 06/09/2073	£12,800,000	13,414	1.11
		13,414	1.11
Netherlands 2.96% (3.63%)			
Highbury Finance 7.02% 20/03/2023	£4,836,027	5,543	0.46
ING Groep, FRN 6.87% Perpetual	\$12,000,000	10,350	0.86
Koninklijke KPN, FRN 7.00% 28/03/2073	\$6,800,000	5,934	0.49
Trivium Packaging Finance 3.75% 15/08/2026	€1,000,000	944	0.08
VIVAT, FRN 6.25% Perpetual	\$15,800,000	13,002	1.07
		35,773	2.96
Norway 0.53% (0.48%)			
PGS 7.38% 15/12/2020	\$8,000,000	6,359	0.53
		6,359	0.53
Portugal 1.09% (1.43%)			
EDP - Energias de Portugal, FRN 4.50% 30/04/2079	€13,000,000	13,163	1.09
		13,163	1.09
South Africa 0.17% (0.16%)			
Investec, FRN 6.75% Perpetual	£2,100,000	2,055	0.17
		2,055	0.17
Spain 1.90% (2.04%)			
eDreams ODIGEO 5.50% 01/09/2023	€5,500,000	5,308	0.44
Lecta 6.50% 01/08/2023	€8,504,000	4,477	0.37
Naturgy Finance, FRN 4.13% Perpetual	€9,900,000	9,818	0.81
Tasty Bondco 1 6.25% 15/05/2026	€3,400,000	3,304	0.28
		22,907	1.90
Sweden 0.10% (0.52%)			
Skandinaviska Enskilda Banken, FRN 5.63% Perpetual	\$1,400,000	1,164	0.10
		1,164	0.10
Switzerland 4.08% (3.00%)			
Credit Suisse Group, FRN 6.25% Perpetual	\$16,800,000	14,559	1.21
Kongsberg Actuation Systems 5.00% 15/07/2025	€6,537,000	5,959	0.49
Swiss Re, FRN 5.75% 15/08/2050	\$17,000,000	15,103	1.25
UBS Group Funding Switzerland, FRN 7.00% Perpetual	\$15,000,000	12,994	1.08
Walnut Bidco 6.75% 01/08/2024	€700,000	651	0.05
		49,266	4.08
United Arab Emirates 1.35% (1.28%)			
Shelf Drilling Holdings 8.25% 15/02/2025	\$10,386,000	7,746	0.64
Topaz Marine 9.13% 26/07/2022	\$10,000,000	8,577	0.71
		16,323	1.35

Investment	Nominal value	Valuation £'000	% of net assets
United Kingdom 30.09% (30.75%)			
Afren 10.25% 31/12/2049 ^s	\$4,801,113	—	—
Arqiva Broadcast Finance 6.75% 30/09/2023	£8,500,000	9,060	0.75
Aviva, FRN 5.13% 04/06/2050	£5,000,000	5,640	0.47
BUPA Finance 5.00% 08/12/2026	£8,900,000	10,124	0.84
Burford Capital 6.50% 19/08/2022	£4,240,000	3,227	0.27
Cabot Financial Luxembourg 7.50% 01/10/2023	£9,500,000	9,821	0.81
Cattles 7.13% 05/07/2017 ^s	£6,000,000	—	—
CPUK Finance 4.88% 28/02/2047	£6,000,000	6,104	0.51
Direct Line Insurance Group, FRN 4.75% Perpetual	£2,000,000	1,644	0.14
Drax Finco 4.25% 01/05/2022	£3,797,000	3,861	0.32
EI Group 6.88% 09/05/2025	£6,160,000	6,266	0.52
EnQuest, FRN 7.00% 15/10/2023	\$10,607,494	6,914	0.57
Galaxy Bidco 6.50% 31/07/2026	£4,500,000	4,322	0.36
Heathrow Finance 3.88% 01/03/2027	£4,500,000	4,480	0.37
HSBC Bank, FRN 2.50% Perpetual	\$11,900,000	7,165	0.59
HSBC Holdings, FRN 6.87% Perpetual	\$12,000,000	10,301	0.85
Iceland Bondco 6.75% 15/07/2024	£8,228,000	7,838	0.65
Investec Bank, FRN 4.25% 24/07/2028	£8,300,000	8,449	0.70
Ithaca Energy North Sea 9.38% 15/07/2024	\$6,100,000	5,113	0.42
Just Group 9.00% 26/10/2026	£8,300,000	9,292	0.77
KCA Deutag UK Finance 9.88% 01/04/2022	\$10,000,000	5,534	0.46
Liverpool Victoria Friendly Society, FRN 6.50% 22/05/2043	£3,500,000	3,916	0.32
Lloyds Banking Group, FRN 7.50% Perpetual	\$14,000,000	12,041	1.00
Lloyds Banking Group, FRN 7.87% Perpetual	£3,898,000	4,428	0.37
Matalan Finance 6.75% 31/01/2023	£8,300,000	7,391	0.61
Miller Homes Group Holdings, FRN 6.02% 15/10/2023	£5,350,000	5,305	0.44
Mizzen Bondco 7.00% 01/05/2021	£9,292,911	9,108	0.76
Neptune Energy Bondco 6.63% 15/05/2025	\$13,000,000	10,673	0.88
NGG Finance, FRN 5.63% 18/06/2073	£12,300,000	13,438	1.11
Nottingham Building Society 7.88% Perpetual	£2,500,000	3,201	0.27
Pension Insurance, FRN 7.38% Perpetual	£11,600,000	11,728	0.97
Phoenix Group Holdings 6.63% 18/12/2025	£11,011,000	12,144	1.01
Provident Financial 7.00% 04/06/2023	£8,700,000	8,763	0.73
Prudential, FRN 6.50% 20/10/2048	\$12,000,000	11,121	0.92
Punch Taverns Finance B 7.75% 30/12/2025	£5,750,000	5,726	0.47
Quilter, FRN 4.48% 28/02/2028	£7,000,000	7,167	0.59
RBS Capital Trust II, FRN 6.42% Perpetual	\$14,000,000	14,893	1.23
Rothsay Life 8.00% 30/10/2025	£10,400,000	12,256	1.02
Rothschild & Co. Continuation Finance CI 9.00% Perpetual	£7,382,000	8,889	0.74
Spirit Issuer 5.47% 28/12/2034	£5,000,000	5,250	0.44
Stonegate Pub Co. Financing 4.88% 15/03/2022	£6,900,000	7,046	0.58
Stonegate Pub Co. Financing, FRN 7.04% 15/03/2022	£3,375,000	3,393	0.28
TalkTalk Telecom Group 5.38% 15/01/2022	£9,500,000	9,716	0.81
Tesco 6.15% 15/11/2037	\$7,073,000	6,841	0.57
Thomas Cook Group 6.25% 15/06/2022	€2,700,000	685	0.06
Virgin Media Secured Finance 5.13% 15/01/2025	£7,965,000	8,225	0.68
Viridian Group FinanceCo 4.75% 15/09/2024	£9,000,000	9,058	0.75
Vodafone Group, FRN 6.25% 03/10/2078	\$13,000,000	11,096	0.92
Voyage Care BondCo 5.88% 01/05/2023	£9,300,000	9,041	0.75
William Hill 4.88% 07/09/2023	£5,000,000	5,264	0.44
		362,958	30.09
United States of America 9.69% (8.60%)			
AMC Entertainment Holdings 6.38% 15/11/2024	£8,950,000	8,561	0.71
Burford Capital Finance 6.13% 12/08/2025	\$17,400,000	14,927	1.24
Continental Resources 4.50% 15/04/2023	\$7,350,000	6,317	0.52

Investment information (continued)

Investment	Holding or nominal value	Valuation £'000	% of net assets
Finial Holdings 7.13% 15/10/2023	\$8,250,000	7,939	0.66
Infor US 5.75% 15/05/2022	€8,200,000	7,639	0.63
Ingles Markets 5.75% 15/06/2023	\$6,800,000	5,695	0.47
Mauser Packaging Solutions Holding 4.75% 15/04/2024	€10,800,000	10,218	0.85
Men's Wearhouse 7.00% 01/07/2022	\$7,348,000	5,852	0.48
Seagate HDD Cayman 4.75% 01/01/2025	\$7,500,000	6,235	0.52
State Street, FRN 3.08% 15/05/2028	\$7,486,000	5,712	0.47
Superior Industries International 6.00% 15/06/2025	€5,000,000	3,699	0.31
UGI International 3.25% 01/11/2025	€6,100,000	5,895	0.49
USB Realty, FRN 3.45% Perpetual	\$19,000,000	13,465	1.11
Valaris 7.75% 01/02/2026	\$13,000,000	6,856	0.57
Weight Watchers International 8.63% 01/12/2025	\$10,000,000	7,952	0.66
		116,962	9.69
Corporate Bonds total		905,958	75.09
Forward Currency Contracts (2.90)% ((1.54)%)			
Buy Euro 5,800,000 sell Sterling 5,229,883 dated 11/09/2019		122	0.01
Buy Norwegian Krone 5,810,000 sell Sterling 536,422 dated 11/09/2019		-	-
Buy Sterling 250,896,146 sell Euro 282,290,000 dated 11/09/2019		(9,578)	(0.8)
Buy Sterling 7,116,967 sell Norwegian Krone 78,570,000 dated 11/09/2019		(142)	(0.01)
Buy Sterling 10,689,509 sell Swiss Franc 13,443,000 dated 11/09/2019		(643)	(0.05)
Buy Sterling 537,778,051 sell US Dollar 686,440,000 dated 11/09/2019		(27,070)	(2.24)
Buy Swiss Franc 4,501,000 sell Sterling 3,661,057 dated 11/09/2019		133	0.01
Buy US Dollar 82,900,000 sell Sterling 66,052,463 dated 11/09/2019		2,163	0.18
Forward Currency Contracts total		(35,015)	(2.90)
Futures 0.00% ((0.02)%)			
Investment assets (including investment liabilities)		1,164,474	96.52
Net other assets		41,941	3.48
Net assets attributable to unitholders		1,206,415	100.00

The comparative percentage figures in brackets are as at 7 August 2018.

^ Unlisted, suspended or delisted security.

§ Security is currently in default.

Financial statements

Statement of total return for the year ended 7 August 2019

	Note	7 August 2019		7 August 2018	
		£'000	£'000	£'000	£'000
Income					
Net capital losses	3		(48,228)		(45,735)
Revenue	5	71,712		73,782	
Expenses	6	(10,480)		(10,519)	
Interest payable and similar charges	7	(95)		(317)	
Net revenue before taxation		61,137		62,946	
Taxation	8	(170)		(229)	
Net revenue after taxation			60,967		62,717
Total return before distributions			12,739		16,982
Distributions	9		(70,419)		(72,499)
Change in net assets attributable to unitholders from investment activities			(57,680)		(55,517)

Statement of change in net assets attributable to unitholders for the year ended 7 August 2019

	7 August 2019		7 August 2018	
	£'000	£'000	£'000	£'000
Opening net assets attributable to unitholders		1,303,631		1,203,039
Amounts receivable on issue of units	96,928		200,986	
Amounts payable on cancellation of units	(136,479)		(44,877)	
		(39,551)		156,109
Change in net assets attributable to unitholders from investment activities		(57,680)		(55,517)
Retained distributions on accumulation units		15		-
Closing net assets attributable to unitholders		1,206,415		1,303,631

Balance sheet as at 7 August 2019

	Note	7 August 2019	7 August 2018
		£'000	£'000
Assets			
Fixed assets			
Investments	10	1,201,907	1,278,539
Current assets			
Debtors	11	27,029	19,618
Cash and cash equivalents	12	35,707	46,631
Total current assets		62,736	66,249
Total assets		1,264,643	1,344,788
Liabilities			
Investment liabilities	10	37,433	20,362
Creditors			
Distribution payable		17,449	19,017
Other creditors	13	3,346	1,778
Total creditors		20,795	20,795
Total liabilities		58,228	41,157
Net assets attributable to unitholders		1,206,415	1,303,631

Notes to the financial statements

1. Accounting policies

(a) Basis of accounting. The financial statements have been prepared under the historical cost basis, as modified by the revaluation of investments, in accordance with Financial Reporting Standard ('FRS') 102, the SORP and the Financial Conduct Authority's Collective Investment Schemes Sourcebook ('COLL'). The financial statements have been prepared on a going concern basis.

(b) Valuation of investments. All investments have been valued at 12 noon on the last working day of the accounting period. Listed investments are valued at fair value which is deemed to be the bid or SETS price. The last valuation point in the year has been used for the purposes of preparing the report and financial statements and in the manager's opinion there have been no material movements in the fund between the last dealing point and close of business on the balance sheet date.

Open forward foreign exchange contracts are shown in the Portfolio Statement at market value and the net gains/(losses) are reflected within forward currency contracts under net capital gains/(losses) in the notes to the financial statements.

(c) Foreign exchange rates. The base currency of the fund is pounds sterling and units are priced in pounds sterling. Assets and liabilities denominated in foreign currencies are translated into sterling at the exchange rates prevailing at 12 noon on the last working day of the accounting period. Revenue and expenditure transactions are translated at the rates of exchange ruling on the dates of the transactions. Exchange differences on such transactions follow the same treatment as the principal amounts.

(d) Derivatives. Where appropriate, certain permitted transactions such as derivatives or forward currency contracts are used for efficient portfolio management and investment purposes. Derivatives are valued at 12 noon on the last working day of the accounting period. Exchange traded derivatives are priced at fair value, which is deemed

to be the bid price. Over-the-counter derivatives are priced at fair values using valuation models or data sourced from market data providers. Returns on derivative instruments are recognised as either revenue or capital depending on the nature and circumstances of each particular case. Any positions on such transactions open at the year end are reflected in the balance sheet at their marked to market value.

(e) Revenue. Interest from debt securities is recognised on an effective interest rate basis inclusive of any expected changes to future cash flows. Dividends receivable from equity and non-equity shares are credited to revenue, net of attributable tax credits, when the security is quoted ex-dividend. Dividends received as shares (scrip/stock dividends), to the extent that the value of such dividends is equal to the cash dividends, are treated as revenue. Dividends on unquoted stocks are credited to revenue when the right to receive payment is established. Special dividends are reviewed on a case by case basis when determining if a dividend is to be treated as revenue or capital. It is likely that where a special dividend results in a significant reduction in the capital value of a holding, then the dividend will generally be treated as capital, otherwise this will be recognised as revenue. Bank interest is recognised on an accruals basis. Underwriting commission is recognised when the issue underwritten takes place.

(f) Expenses. All expenses (other than those relating to the purchase and sale of investments) are charged initially against revenue on an accruals basis.

(g) Taxation. Corporation tax is charged at a rate of 20% on the excess taxable revenue of the fund. In general, the tax accounting treatment follows that of the principal amount. Deferred tax is provided for all timing differences that have originated but not reversed at the balance sheet date other than those recorded as permanent differences. Deferred tax is provided for at the average rate of tax expected to apply. Deferred tax assets and liabilities are not discounted to reflect the time value of money.

2. Distribution policy

The fund shall distribute all available revenue, after deduction of expenses properly chargeable against revenue and taxation excluding the annual management charge. The investment objective of the fund concentrates on the generation of revenue as a higher priority than capital growth. The manager and the trustee have agreed that 100% of the annual management charge is to be transferred to capital for the purpose of calculating the distribution, as permitted by COLL. The distribution currently payable reflects this treatment. The manager may from time to time, smooth the distribution payments during the accounting period with the balance of revenue (if any) being paid in respect of the final distribution. Gains and losses on non-derivative investments and currencies, whether realised or unrealised, if taken to capital are not available for distribution. The fund satisfied the qualifying investments test of Statutory Instrument 2006/964 Authorised Investment Funds (Tax) Regulations 2006 Regulation 19 throughout the year. All distributions made are therefore made as interest distributions. With the exception of the manager's annual management charge, which is directly attributable to each unit class, all income and expenses are apportioned to each unit class pro-rata to the value of the net assets of the relevant unit class on the day that the income or expense is recognised.

For Accumulation units this revenue is not distributed but automatically reinvested in the fund and is reflected in the value of these units.

Distributions which have remained unclaimed by unitholders for six years are credited to the capital property of the fund.

3. Net capital losses

	7 August 2019 £'000	7 August 2018 £'000
Currency gains/(losses)	9,910	(6,003)
Capital transaction charges	(4)	(4)
Derivative contracts	(319)	1,476
Non-derivative securities	(2,561)	(38,805)
Forward currency contracts	(55,254)	(2,399)
Net capital losses	(48,228)	(45,735)

4. Direct transaction costs

For purchases and sales of equities, broker commissions, transfer taxes and stamp duty are paid by the fund on each transaction and are summarised below. Bonds have no separately identifiable transaction costs, these costs form part of the dealing price.

	Year ended 7 August 2019					
	Principal £'000	Commission £'000	Taxes £'000	Total after costs £'000	Commission as a percentage of principal %	Taxes as a percentage of principal %
Purchases						
Equities	67,300	19	225	67,544	0.03	0.33
Bonds	461,775	-	-	461,775	-	-
Sales						
Equities	99,868	36	-	99,832	0.04	-
Bonds	506,728	-	-	506,728	-	-
Total		55	225			
Percentage of fund average net assets		0.00%	0.02%			

	Year ended 7 August 2018					
	Principal £'000	Commission £'000	Taxes £'000	Total after costs £'000	Commission as a percentage of principal %	Taxes as a percentage of principal %
Purchases						
Equities	224,055	78	470	224,603	0.03	0.21
Bonds	488,205	-	-	488,205	-	-
Sales						
Equities	212,833	87	-	212,746	0.04	-
Bonds	395,160	-	-	395,160	-	-
Total		165	470			
Percentage of fund average net assets		0.01%	0.04%			

During the year the fund incurred £4,000 (2018: £4,000) in capital transaction charges.

Dealing spread

As at the balance sheet date the average portfolio dealing spread was 0.83% (2018: 0.82%). This spread represents the difference between the bid and offer prices of each underlying investment expressed as a percentage of the value determined by reference to its offer price.

5. Revenue

	7 August 2019 £'000	7 August 2018 £'000
Interest on debt securities	61,481	59,672
Overseas dividends	5,430	4,796
UK dividends	4,583	9,187
Bank interest	218	127
Total revenue	71,712	73,782

Notes to the financial statements (continued)

6. Expenses

	7 August 2019 £'000	7 August 2018 £'000
Payable to the manager, associates of the manager and agents of either of them:		
Annual management charge	9,446	9,772
Administration fees*	579	-
Other expenses:		
Registration fees	154	262
Operational fees	77	82
Administrator fees	74	170
Trustee fee	70	126
Safe custody fees	42	60
Professional fees	31	36
Auditor's remuneration: audit fee**	6	9
Price publication fees	1	1
Auditor's remuneration: non-audit fee (taxation)	-	1
Total expenses	10,480	10,519

All expenditure stated above is inclusive of irrecoverable VAT where applicable.

* The amount disclosed above reflects the change from variable expenses to a fixed administration fee effective from 1 February 2019.

** The current audit fee, which has been met out of the administration fee since 1 February 2019, is £8,450 (2018: £7,750).

7. Interest payable and similar charges

	7 August 2019 £'000	7 August 2018 £'000
Interest payable on positions with brokers and counterparties	58	303
Interest payable	37	14
Total interest payable and similar charges	95	317

8. Taxation

	7 August 2019 £'000	7 August 2018 £'000
a) Analysis of the tax charge for the year		
Irrecoverable overseas tax	170	229
Total taxation (note 8b)	170	229
b) Factors affecting the tax charge for the year		
Net revenue before taxation	61,137	62,946
Corporation tax at 20% (2018: 20%)	12,227	12,589
Effects of:		
Irrecoverable overseas tax	170	229
Non-taxable UK dividends	(917)	(1,837)
Non-taxable overseas dividends	(1,085)	(899)
Tax deductible interest distributions	(10,225)	(9,853)
Tax charge for the year (note 8a)	170	229
c) Provision for deferred tax		
No provision for deferred tax has been made in the current or prior accounting year.		
d) Factors that may affect future tax charges		
The fund has not recognised a deferred tax asset (2018: £nil).		

9. Distributions

	7 August 2019 £'000	7 August 2018 £'000
Interim gross interest distribution - September 2018	769	628
Interim gross interest distribution - October 2018	585	402
Interim gross interest distribution - November 2018	16,028	15,715
Interim gross interest distribution - December 2018	799	582
Interim gross interest distribution - January 2019	692	475
Interim gross interest distribution - February 2019	14,932	14,641
Interim gross interest distribution - March 2019	649	646
Interim gross interest distribution - April 2019	814	881
Interim gross interest distribution - May 2019	16,325	19,585
Interim gross interest distribution - June 2019	1,000	939
Interim gross interest distribution - July 2019	786	673
Final gross interest distribution - August 2019	16,672	18,345
	70,051	73,512
Add: amounts deducted on cancellation of units	1,016	382
Deduct: amounts added on issue of units	(648)	(1,395)
Distributions	70,419	72,499
Movement between net revenue and distributions		
Net revenue after taxation	60,967	62,717
Annual management charge paid from capital	9,446	9,772
Expenses paid from capital	7	11
Revenue paid on conversion of units	(1)	(1)
	70,419	72,499

The distributions take account of amounts added on the issue of units and amounts deducted on the cancellation of units. Details of the distributions per unit are set out in the distribution tables on pages 25 to 26.

10. Fair value hierarchy

All investments are designated at fair value through profit or loss on initial recognition. The following table provides an analysis of these investments based on the fair value hierarchy in accordance with FRS 102 which reflects the reliability and significance of the information used to measure their fair value.

The disclosure is split into the following categories:

Level 1 – Investments with unadjusted quoted prices in an active market;

Level 2 – Investments whose fair value is based on inputs other than quoted prices that are either directly or indirectly observable;

Level 3 – Investments whose fair value is based on inputs that are unobservable (i.e. for which market data is unavailable).

	7 August 2019		7 August 2018	
	Assets £'000	Liabilities £'000	Assets £'000	Liabilities £'000
Level 1	154,403	-	219,111	240
Level 2	1,047,504	37,433	1,059,428	20,122
Total	1,201,907	37,433	1,278,539	20,362

Notes to the financial statements (continued)

11. Debtors

	7 August 2019 £'000	7 August 2018 £'000
Accrued revenue	18,391	18,048
Sales awaiting settlement	7,565	-
Amounts receivable for issue of units	643	1,381
Overseas withholding tax recoverable	430	188
Prepaid expenses	-	1
Total debtors	27,029	19,618

12. Cash and cash equivalents

	7 August 2019 £'000	7 August 2018 £'000
Amounts held at futures clearing houses and brokers	34,640	17,477
Cash and bank balances	1,067	5,864
Amounts held in JPMorgan Liquidity Funds – Sterling Liquidity Fund (Institutional dist.)	-	23,290
Total cash and cash equivalents	35,707	46,631

13. Other creditors

	7 August 2019 £'000	7 August 2018 £'000
Amounts payable for cancellation of units	2,256	509
Accrued annual management charge	935	1,008
Accrued administration fee payable to the manager	117	-
Accrued other expenses	38	261
Total other creditors	3,346	1,778

14. Contingent liabilities and commitments

There were no contingent liabilities or outstanding commitments at the current or prior year end.

15. Reconciliation of unit movements

Class	Units in issue at 7 August 2018	Units issued	Units cancelled	Units converted	Units in issue at 7 August 2019
MI distribution	177,857,756	45,575,617	(5,837,231)	78,794	217,674,936
QI distribution	1,076,076,515	62,389,410	(127,714,077)	14,672,045	1,025,423,893
QI accumulation	-	659,149	(197)	-	658,952
QR distribution	347,450,131	12,519,337	(41,611,334)	(15,882,309)	302,475,825

16. Risk disclosures

In pursuing its investment objectives, the fund may hold a number of financial instruments. These financial instruments comprise equities, bonds, derivatives, cash balances and liquid resources, which include debtors and creditors that arise directly from the funds' operations. The fund only executes derivative contracts where both the derivative instrument and the counterparty have been approved by the manager.

The manager has a risk management policy. The processes detailed within are designed to monitor and measure at any time the risk of the funds' positions and their contribution to the overall risk profile of the fund. In addition, our Investment Committee and Risk and Compliance Committee meet monthly and quarterly respectively, and as required to evaluate risk across each of our funds. These policies have been consistent for both the current and prior period to which these financial statements relate.

In the normal course of business, the fund's activities expose it to various types of risk which are associated with the financial instruments and markets in which it invests. These financial risks: market risk (comprising currency risk, interest rate risk, other market price risk, and leverage risk), credit and counterparty risk and liquidity risk and the approach to the management of these risks, are set out below and remain unchanged from the previous accounting year. For a detailed explanation of these and further risks involved in investing in the fund, reference should be made to the Prospectus.

(a) Market risk

Market risk, which includes interest rate risk, currency risk, other price risk and leverage risk, arises mainly from uncertainty about future values of financial instruments in the fund's investment portfolio. The fund, in order to meet its investment objective and policy, invests predominantly in bonds and equities and maintains an appropriate spread of investments in accordance with COLL, the Trust Deed and the Prospectus to seek to reduce the risks arising from factors specific to a particular company or sector. The manager's investment strategy is to select investments for their fundamental value. Stock selection is therefore based on disciplined accounting, market and sector analysis, with the emphasis on long-term investments. There is no material difference between the carrying values and the fair values of the financial assets and liabilities of the fund disclosed in the balance sheet.

(i) Interest rate risk

Changes in interest rates or changes in expectations of future interest rates may result in an increase or decrease in the market value of the investments held. Bond yields (and as a consequence bond prices) are determined by market perception as to the appropriate level of yields given the economic background. Key determinants include economic growth prospects, inflation, governments' fiscal positions, short-term interest rates and international market comparisons.

As part of the continuing review of the portfolio, the manager monitors and reviews these factors.

Currency	Floating rate financial assets † £'000	Fixed rate financial assets £'000	Financial assets not carrying interest £'000	Total £'000
7 August 2019				
US Dollar	51,208	452,415	10,853	514,476
Sterling	43,597	340,655	71,336	455,588
Euro	40,571	145,535	70,640	256,746
Swiss Franc	-	-	7,622	7,622
Norwegian Krone	-	-	6,998	6,998
7 August 2018				
Sterling	97,010	396,857	101,988	595,855
US Dollar	54,621	320,537	6,262	381,420
Euro	35,714	200,298	96,257	332,269
Swiss Franc	260	-	8,222	8,482
Norwegian Krone	-	-	5,727	5,727

† Includes cash and bank balances.

Forward currency contracts for Euro, Swiss Franc, Norwegian Krone, Sterling and US Dollar are not included within this table. These can be found in the portfolio statement on page 14.

As at 7 August 2019 if there is a parallel shift in government bond yields with an increase of 1%, the fund could expect to see a 5.2% fall in the prices of the underlying bonds it holds (2018: 3.3%). A 1% fall in government bond yields would have an equal and opposite impact. This calculation has been prepared on a modified duration basis. Modified duration follows the concept that interest rates and bond prices move in opposite directions. The calculation has been used to serve as an indication of the possible impact to the fund from changes to government bond yields. This concept relies on a large number of assumptions, in particular, that all bonds are equally sensitive to government bond yields. In practice, this is not the case as many bonds with higher credit risk have lower correlation with government bond yields and in some cases even negative correlation. The fund contains a high and varying proportion of bonds with sometimes a high degree of credit risk. Furthermore, this makes the assumption of a parallel shift in yields. In practice, when interest rates change, longer dated government bond yields do not usually move in parallel with short-term interest rates. It is not unusual to see a negative correlation to short-term interest rate movements. The calculation also includes the impact of any futures positions, which are priced according to the yield of 10 year government bonds.

(ii) Currency risk

A portion of the net assets of the fund are denominated in currencies other than sterling, and therefore the balance sheet and total return can be affected by currency movements. The manager may decide that a proportion of the investments that are not priced in sterling, may be covered by forward currency contracts, so that the fund's exposure to currency risk is reduced. The loss on forward currency contracts for the year was £55,254,000 (2018: £2,399,000).

Revenue received in foreign currencies is converted into sterling on or near the date of receipt.

The exposure to each currency is shown in the following tables and includes the effect of any forward currency contracts.

Notes to the financial statements (continued)

Currency	Investments £'000	Net other assets £'000	Forward currency contracts £'000	Total £'000
7 August 2019				
Sterling	429,473	26,115	731,001	1,186,589
US Dollar	502,994	11,482	(496,633)	17,843
Euro	252,501	4,245	(255,123)	1,623
Norwegian Krone	6,939	59	(6,722)	276
Swiss Franc	7,582	40	(7,538)	84
7 August 2018				
Sterling	562,354	33,501	704,288	1,300,143
US Dollar	374,565	6,855	(378,570)	2,850
Euro	327,441	4,828	(331,885)	384
Swiss Franc	8,222	260	(8,192)	290
Norwegian Krone	5,717	10	(5,763)	(36)

A five per cent increase in the value of the fund's foreign currency exposure would have the effect of increasing the return and net assets by £991,000 (2018: £174,000). A five per cent decrease would have an equal and opposite effect.

(iii) Other price risk

Other price risk is the risk that the value of an instrument will fluctuate as a result of changes in market prices (other than those relating to interest rate risk, currency risk and credit and counterparty risk), whether caused by factors specific to an investment or wider issues affecting the market generally. The value of equities is dependent on a number of factors, arising from the performance of the company itself and matters arising in the wider market (for example the state of the underlying economy and current government policy). The portfolio is invested in securities domiciled in a number of countries as detailed in the portfolio statement and will be exposed to market movements in the relevant country arising from changes in the local economy and government decisions. As part of the continuing review of the portfolio, the manager monitors and reviews these factors. A five per cent increase in the value of the fund's portfolio would have the effect of increasing the return and net assets by £58,224,000 (2018: £62,909,000). A five per cent decrease would have an equal and opposite effect.

Returns from bonds are fixed at the time of purchase, the fixed coupon payments are known, as are the final redemption proceeds. This means that if a bond is held until its redemption date, the total return achieved is unaltered from its purchase date. However, over the life of a bond, the yield (and hence market price) at any given time will depend on the market environment at that time. Therefore, a bond sold before its redemption date may have a different price to its purchase level and a gain or loss may be realised.

Bond investments are exposed to credit rating risk which reflects the ability of a bond issuer to meet its obligations (i.e. pay interest on a bond and return the capital on the redemption date). Generally, the higher the credit rating of the bond issuer, the rate at which they can borrow money may be lower than a bond issuer with a lower credit rating reflecting the potentially higher risk. Additionally, the credit rating of a bond is likely to impact upon the market price of a bond with a higher credit rating reflecting the greater expectation that the bond will be redeemed by the issuer on the maturity date at the nominal amount. An element of the market price of a bond will reflect this.

(iv) Leverage risk

Leverage is defined as any method by which the fund can increase its exposure by borrowing cash or securities or from leverage that is embedded in derivative positions. The manager is required to calculate and monitor the level of leverage of a fund, expressed as a percentage of the exposure of the fund and its net asset value under the commitment method. The fund can use cash borrowing (subject to restrictions as set out in its Prospectus) and financial derivatives as sources of leverage. A result of 100% indicates that no leverage has been used.

As at 7 August 2019 and 7 August 2018 the leverage ratios of the fund were:

	2019 %	2018 %
Sum of the notional Commitment	166.6%	161.0%
	102.1%	104.2%

Debt security credit analysis

At the reporting date, the credit analysis of the fund's debt securities was as follows.

	7 August 2019 £'000	7 August 2018 £'000
Investment grade securities	390,100	300,403
Below investment grade securities	571,917	668,192
Unrated securities	76,257	90,072
Total of debt securities	1,038,274	1,058,667

* Source of credit ratings: Artemis Investment Management LLP.

(b) Credit and counterparty risk

Credit and counterparty risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment it has entered into with the fund, resulting in a financial loss. From time to time, the fund may be subject to short-term credit risk with counterparties pending settlement of investment transactions. The manager has a pre-approved list of counterparties it uses for investment transactions, which is reviewed on a regular basis. The largest counterparty risk is with JP Morgan Chase N.A. ('JP Morgan'), the fund's custodian and banker, who holds the fund's investments and maintains the bank accounts. Bankruptcy or insolvency of JP Morgan may cause the fund's rights with respect to securities and cash held by the custodian to be delayed or limited. The trustee receives and reviews a semi-annual report on the internal controls in place at JP Morgan. The fund is also exposed to counterparty risk through holding specific financial instruments.

The manager is permitted to use one or more separate counterparties for derivative transactions. The fund may enter into transactions in over-the-counter ('OTC') markets that expose it to the creditworthiness of its counterparties and their ability to satisfy the terms of such contracts. Where the fund enters into derivative contracts, it will be exposed to the risk that the counterparty may default on its obligations to perform under the relevant contract. In the event of bankruptcy or insolvency of a counterparty, the fund could experience delays in liquidating the position and may incur significant losses.

There may be a risk that a counterparty will be unable to meet its obligations with regard to the return of the collateral and may not meet other payments due to the fund. To minimise such risk the manager will assess the creditworthiness of any counterparty that it engages. On a daily basis the manager assesses the level of assets with each counterparty to ensure that the exposure is within the defined limits in accordance with the requirements stipulated in COLL and the Prospectus.

The derivatives are disclosed in the portfolio statement and UBS AG ('UBS') is the counterparty for the forward currency contracts. Aside from the custodian, the derivative counterparties and brokers where trades are pending settlement, there were no significant concentrations of credit and counterparty risk as at 7 August 2019 or 7 August 2018.

At the reporting date, the fund's financial assets exposed to credit and counterparty risk amounted to the following:

Counterparty and collateral exposure

Currency	Forward currency contracts £'000	Futures £'000	Total gross exposure £'000	Net collateral pledged/(held) £'000
7 August 2019				
J.P. Morgan	-	-	-	69
UBS	(35,015)	-	(35,015)	34,571
7 August 2018				
J.P. Morgan	-	(29,023)	(29,023)	695
UBS	(20,122)	-	(20,122)	16,782

Only cash collateral is pledged or held by the fund.

c) Liquidity risk

Some of the fund's financial instruments can include securities that are not listed on a recognised stock exchange and which may not always be readily realisable. However, from time to time, liquidity in any market or in a specific security can be affected by economic events. As a result, the fund may not be able to realise these investments quickly at their fair value to respond to any further liquidity requirements, or to respond to specific events such as deterioration in the creditworthiness of any particular issuer. In order to manage liquidity requirements, the fund seeks to maintain

Notes to the financial statements (continued)

sufficient cash to pay creditors. Liquidity risk limits are set by reference to two key metrics: market liquidity and investor concentration. These measures will, in combination, identify instances where the fund may be unable to meet investor redemptions. Market liquidity considers a fund's liquidity compared against the daily average liquidity over the previous twelve months. Investor concentration considers the proportion of the fund that is realisable within a redemption cycle measured against the largest unitholder.

17. Related party transactions

The manager is deemed to be a related party. All transactions and balances associated with the manager are disclosed within the statement of total return, statement of change in net assets attributable to unitholders and the balance sheet on page 15 and notes 6, 9, 11 and 13 on pages 18 to 20 including all issues and cancellations where the manager acted as principal.

The balance due to the manager as at 7 August 2019 in respect of these transactions was £2,665,000 (2018: £136,000).

18. Unit classes

The annual management charge on each unit class is as follows:

MI distribution	0.625%
QI distribution	0.625%
QR distribution	1.250%
QI accumulation	0.625%

The net asset value per unit and the number of units in each class are given in the comparative tables on page 27. The distributions per unit class are given in the distribution tables on page 25 to 26. All classes have the same rights.

19. Post balance sheet event

There were no significant post balance sheet events subsequent to the year end.

Distribution tables

This fund pays monthly and quarterly interest distributions. The following table sets out the distribution periods.

Monthly distribution periods	Start	End	Ex-dividend date	Pay date
First interim	8 August 2018	7 September 2018	8 September 2018	7 November 2018
Second interim	8 September 2018	7 October 2018	8 October 2018	7 December 2018
Third interim	8 October 2018	7 November 2018	8 November 2018	7 January 2019
Fourth interim	8 November 2018	7 December 2018	8 December 2018	7 February 2019
Fifth interim	8 December 2018	7 January 2019	8 January 2019	7 March 2019
Sixth interim	8 January 2019	7 February 2019	8 February 2019	5 April 2019
Seventh interim	8 February 2019	7 March 2019	8 March 2019	7 May 2019
Eighth interim	8 March 2019	7 April 2019	8 April 2019	7 June 2019
Ninth interim	8 April 2019	7 May 2019	8 May 2019	5 July 2019
Tenth interim	8 May 2019	7 June 2019	8 June 2019	7 August 2019
Eleventh interim	8 June 2019	7 July 2019	8 July 2019	6 September 2019
Final	8 July 2019	7 August 2019	8 August 2019	7 October 2019
Quarterly distribution periods	Start	End	Ex-dividend date	Pay date
First interim	8 August 2018	7 November 2018	8 November 2018	7 January 2019
Second interim	8 November 2018	7 February 2019	8 February 2019	5 April 2019
Third interim	8 February 2019	7 May 2019	8 May 2019	5 July 2019
Final	8 May 2019	7 August 2019	8 August 2019	7 October 2019

Group 1 units are those purchased prior to a distribution period and therefore their net revenue rate is the same as the distribution rate.

Group 2 units are those purchased during a distribution period and therefore their distribution rate is made up of net revenue and equalisation. Equalisation applies only to group 2 units purchased during the period. It is the average amount of revenue included in the purchase price of all group 2 units and is refunded to holders of these units as a return of capital. Being capital it is not liable to income tax but must be deducted from the cost of units for capital gains tax purposes.

MI distribution

Interest distributions for the year ended 7 August 2019	Group 2		Group 1 & 2 Distribution per unit (p)	2017 - 2018 Distribution per unit (p)
	Net revenue per unit (p)	Equalisation per unit (p)		
First interim	0.1999	0.2243	0.4242	0.4881
Second interim	0.1488	0.1699	0.3187	0.2984
Third interim	0.1565	0.1756	0.3321	0.3593
Fourth interim	0.0950	0.3217	0.4167	0.3919
Fifth interim	0.1503	0.2096	0.3599	0.3116
Sixth interim	0.1363	0.1305	0.2668	0.3387
Seventh interim	0.1468	0.1813	0.3281	0.4008
Eighth interim	0.2084	0.1965	0.4049	0.5338
Ninth interim	0.2011	0.2047	0.4058	0.4206
Tenth interim	0.2061	0.2665	0.4726	0.5342
Eleventh interim	0.1894	0.1765	0.3659	0.3783
Final	0.1965	0.1737	0.3702	0.3472

Distribution tables (continued)

QI distribution

Interest distributions for the year ended 7 August 2019	Group 2		Group 1 & 2 Distribution per unit (p)	2017 - 2018 Distribution per unit (p)
	Net revenue per unit (p)	Equalisation per unit (p)		
First interim	0.4208	0.6586	1.0794	1.1507
Second interim	0.4593	0.5885	1.0478	1.0465
Third interim	0.5406	0.6034	1.1440	1.3622
Final	0.5802	0.6343	1.2145	1.2663

QI accumulation

Interest distributions for the year ended 7 August 2019	Group 2		Group 1 & 2 Distribution per unit (p)	2017 - 2018 Distribution per unit (p)
	Net revenue per unit (p)	Equalisation per unit (p)		
Third interim *	0.6412	0.2721	0.9133	-
Final	0.3627	1.1697	1.5324	-

*The share class launched on 15 March 2019.

QR distribution

Interest distributions for the year ended 7 August 2019	Group 2		Group 1 & 2 Distribution per unit (p)	2017 - 2018 Distribution per unit (p)
	Net revenue per unit (p)	Equalisation per unit (p)		
First interim	0.3844	0.6201	1.0045	1.0777
Second interim	0.4077	0.5659	0.9736	0.9784
Third interim	0.4356	0.6256	1.0612	1.2717
Final	0.3917	0.7333	1.1250	1.1803

Comparative tables

	MI distribution			QI distribution		
	2019	2018	2017	2019	2018	2017
Change in net assets per unit (p)						
Opening net asset value per unit	82.65	86.05	82.17	82.64	86.05	82.15
Return before operating charges *	1.57	1.98	9.26	1.59	2.01	9.25
Operating charges	(0.57)	(0.58)	(0.58)	(0.57)	(0.59)	(0.59)
Return after operating charges	1.00	1.40	8.68	1.02	1.42	8.66
Distributions	(4.47)	(4.80)	(4.80)	(4.49)	(4.83)	(4.76)
Retained distributions on accumulation units	-	-	-	-	-	-
Closing net asset value per unit	79.18	82.65	86.05	79.17	82.64	86.05
* after direct transaction costs of	(0.02)	(0.03)	(0.04)	(0.02)	(0.03)	(0.04)
Performance						
Return after charges	1.21%	1.63%	10.56%	1.23%	1.65%	10.54%
Other information						
Closing net asset value (£'000)	172,351	146,995	107,125	811,791	889,241	809,002
Closing number of units	217,674,936	177,857,756	124,485,546	1,025,423,893	1,076,076,515	940,153,994
Operating charges	0.71%	0.69%	0.69%	0.71%	0.69%	0.69%
Direct transaction costs	0.02%	0.04%	0.05%	0.02%	0.04%	0.05%
Prices **						
Highest unit price (p)	83.39	88.39	88.14	83.38	89.20	89.01
Lowest unit price (p)	76.86	82.28	81.83	77.26	82.84	81.83

	QI accumulation	QR distribution		
	2019 ***	2019	2018	2017
Change in net assets per unit (p)				
Opening net asset value per unit	100.00	76.96	80.64	77.48
Return before operating charges *	2.16	1.46	1.88	8.69
Operating charges	(0.72)	(1.00)	(1.05)	(1.05)
Return after operating charges	1.44	0.46	0.83	7.64
Distributions	(2.45)	(4.16)	(4.51)	(4.48)
Retained distributions on accumulation units	2.45	-	-	-
Closing net asset value per unit	101.44	73.26	76.96	80.64
* after direct transaction costs of	(0.02)	(0.01)	(0.03)	(0.04)
Performance				
Return after charges	1.44%	0.60%	1.03%	9.86%
Other information				
Closing net asset value (£'000)	668	221,605	267,395	286,912
Closing number of units	658,952	302,475,825	347,450,131	355,775,513
Operating charges	0.71%	1.33%	1.31%	1.32%
Direct transaction costs	0.02%	0.02%	0.04%	0.05%
Prices **				
Highest unit price (p)	103.00	77.65	86.98	86.92
Lowest unit price (p)	99.92	71.78	77.20	77.03

* Direct transaction costs are stated after deducting the amounts collected in relation to expected dealing costs added to issue of units and subtracted from the cancellation of units.

** With effect from 4 February 2019, the pricing basis of the Fund changed from bid price and offer price to a single mid price.

*** Launched on 15 March 2019.

Class I performance

	Since launch*	5 years	3 years	1 year	6 months
Artemis High Income Fund	207.3	22.1	13.8	1.3	3.5
Sector average	126.2	20.3	10.4	6.0	5.5
Position in sector	2/17	24/62	12/68	75/76	64/77
Quartile	1	2	1	4	4

* Data from 9 September 2002 when Artemis took over management of the fund. Source: Lipper Limited, data from 9 September 2002 to 7 March 2008 reflects class QR distribution units and from 7 March 2008 to 7 August 2019 reflects class QI distribution units, mid to mid basis, in sterling with interest reinvested to 7 August 2019. All performance figures show total returns with interest reinvested, percentage growth. Sector is IA £ Strategic Bond.

Ongoing charges

Class	7 August 2019
MI distribution	0.71%
QI distribution	0.71%
QI accumulation	0.71%
QR distribution	1.33%

Ongoing charges shows the annual operating expenses of each unit class as a percentage of the average net assets of that class for the preceding 12 months.

Class R performance

	Since launch*	5 years	3 years	1 year	6 months
Artemis High Income Fund	186.1	18.4	11.7	0.7	3.2
Sector average	126.2	20.3	10.4	6.0	5.5

* Data from 9 September 2002 when Artemis took over management of the fund. Source: Lipper Limited, class QR distribution units, mid to mid basis, in sterling with interest reinvested to 7 August 2019. All performance figures show total returns with interest reinvested, percentage growth. Sector is IA £ Strategic Bond.

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